

AUDITING PROCEDURES REPORT

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Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name CARO AREA DISTRICT LIBRARY	County TUSCOLA
Audit Date 12-31-05	Opinion Date 2-8-06	Date Accountant Report Submitted to State: 6/6/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

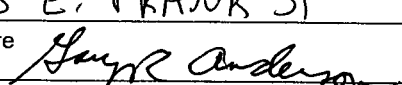
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			<input checked="" type="checkbox"/>
Reports on individual federal financial assistance programs (program audits).			<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).			<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name) ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.			
Street Address 715 E. FRANK ST	City CARO	State MI	ZIP 48723
Accountant Signature 			

CARO AREA DISTRICT LIBRARY

Caro, Michigan

FINANCIAL REPORT

December 31, 2005

Caro Area District Library

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ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants



Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA
Thomas B. Doran, CPA

Robert L. Tuckey, CPA
Valerie Jamieson Hartel, CPA
Jamie L. Peasley, CPA

February 8, 2006

INDEPENDENT AUDITOR'S REPORT

Members of the Board
Caro Area District Library
Caro, Michigan 48723

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Caro Area District Library, Caro, Michigan, for the year ended December 31, 2005 as listed in the Table of Contents, which collectively comprise a portion of the Caro Area District Library's basic financial statements required by the accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Caro Area District Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Management has not presented government-wide financial statements to display the financial position and changes in the financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Caro Area District Library's governmental activities are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Caro Area District Library as of December 31, 2005, or changes in its financial position for the year ended.

As described in Note 10 to the financial statements, the Library has corrected the accounting for property taxes receivable in the general fund.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental financial information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Caro Area District Library. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
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General Purpose Financial Statements

CARO AREA DISTRICT LIBRARY
COMBINED BALANCE SHEET -
ALL FUND TYPES AND ACCOUNT GROUPS
December 31, 2005

	<u>GOVERNMENTAL FUND TYPE</u>	<u>ACCOUNT GROUP</u>	<u>TOTALS (MEMORANDUM ONLY)</u>	
	<u>GENERAL</u>	<u>GENERAL FIXED ASSETS</u>	<u>REPORTING ENTITY 2005</u>	<u>2004</u>
<u>ASSETS</u>				
Cash	\$ 199,690		\$ 199,690	\$ 202,377
Taxes receivable	-		-	350,695
Investments - stocks	10,028		10,028	10,028
General fixed assets		\$ 877,392	877,392	864,342
TOTAL ASSETS	<u>\$ 209,718</u>	<u>\$ 877,392</u>	<u>\$ 1,087,110</u>	<u>\$ 1,427,442</u>
<u>LIABILITIES AND FUND EQUITY</u>				
Accounts payable	\$ -		\$ -	\$ 3,763
Accrued sick pay	9,002		9,002	8,857
TOTAL LIABILITIES	<u>9,002</u>		<u>9,002</u>	<u>12,620</u>
Fund Equity:				
Investment in general fixed assets		\$ 877,392	877,392	864,342
Fund Balances:				
Unreserved:				
Undesignated	27,635		27,635	419,733
Designated for Special Projects	173,081		173,081	130,747
TOTAL FUND EQUITY	<u>200,716</u>	<u>877,392</u>	<u>1,078,108</u>	<u>1,414,822</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 209,718</u>	<u>\$ 877,392</u>	<u>\$ 1,087,110</u>	<u>\$ 1,427,442</u>

The accompanying notes are an integral part of the financial statements.

CARO AREA DISTRICT LIBRARY
COMBINED STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
ALL GOVERNMENTAL FUND TYPES
YEAR ENDED DECEMBER 31, 2005

	TOTALS	
	(MEMORANDUM ONLY)	
	REPORTING ENTITY	
	2005	2004
REVENUES:		
Taxes	\$ 340,360	\$ 340,102
Intergovernmental revenue	5,395	7,074
Fines	61,618	92,983
Miscellaneous	70,679	70,382
TOTAL REVENUES	<u>478,052</u>	<u>510,541</u>
EXPENDITURES:		
Salaries & employee benefits	269,757	239,860
Library materials	129,799	144,722
Operational	41,122	54,678
Miscellaneous	23,200	1,292
Capital outlay	13,243	12,256
TOTAL EXPENDITURES	<u>477,121</u>	<u>452,808</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	931	57,733
FUND BALANCE - BEGINNING	550,480	492,747
PRIOR PERIOD ADJUSTMENT	<u>(350,695)</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 200,716</u>	<u>\$ 550,480</u>

The accompanying notes are an integral part of the financial statements.

CARO AREA DISTRICT LIBRARY
COMBINED STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES:			
Taxes	\$ 359,144	\$ 340,360	\$ (18,784)
Intergovernmental revenue	10,804	5,395	(5,409)
Fines	80,000	61,618	(18,382)
Miscellaneous	28,359	70,679	42,320
TOTAL REVENUES	478,307	478,052	(255)
EXPENDITURES:			
Salaries and employee benefits	265,247	269,757	(4,510)
Library materials	148,560	129,799	18,761
Operational	52,000	41,122	10,878
Miscellaneous	2,500	23,200	(20,700)
Capital outlay	10,000	13,243	(3,243)
TOTAL EXPENDITURES	478,307	477,121	1,186
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	931	931
FUND BALANCE - BEGINNING	550,480	550,480	-
PRIOR PERIOD ADJUSTMENT		(350,695)	(350,695)
FUND BALANCE - ENDING	<u>\$ 550,480</u>	<u>\$ 200,716</u>	<u>\$ (349,764)</u>

The accompanying notes are an integral part of the financial statements.

CARO AREA DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 1 - DESCRIPTION OF DISTRICT LIBRARY OPERATIONS AND FUND TYPES:

The Township of Indianfields and the Caro Public Schools entered into a District Library agreement on January 1, 1997 under the provisions of Act 24, Michigan Public Acts of 1989, as amended. The Board of Trustees determined that the Library shall be known as the "Caro Area District Library." The District Library district shall be comprised of all that territory in the County of Tuscola which is located in the jurisdiction limits of the Caro Public Schools, State of Michigan.

The District Library is governed by a board consisting of seven members elected at large from the district.

On January 7, 1997, the Board of the Township of Indianfields transferred ownership of the real estate located at 840 West Frank Street, Caro, Michigan to the Library. Also transferred on that date were all other assets, personal, tangible and intangible relating to the funds of the Library.

Funding will be provided by a Library District millage. In June, 2002 voters approved a renewal of 1 mill levy for the years 2002 to 2010. In June 2002, an additional .5 mill increase was approved for the years 2002 to 2010.

Reporting Entity:

In evaluating how to define the Library, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement #14, *The Financial Reporting Entity*.

Based upon the application of these criteria, the general purpose financial statements of the Caro Area District Library contain all the funds and account groups controlled by the District's Board as no other entity meets the criteria to be considered a blended component unit or a discretely presented component of the Library nor is the Library a component unit of another entity.

Basis of Presentation - Fund Accounting:

The accounts of the Library are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures.

Governmental Funds:

General Fund - The General Fund is the general operating fund of the District Library. It is used to account for all financial resources except those required to be accounted for in another fund.

Account Groups:

General Fixed Asset Group - This account group presents the balance of fixed assets at historical or estimated cost which are not recorded in proprietary type funds.

"Total - (Memorandum Only)":

The "Memorandum Only" total column represents the aggregate total of the various columnar statements by fund types and account groups. This total column is not comparable to a consolidation and, therefore, does not present consolidated information.

CARO AREA DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting:

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Library considers property taxes as available if they are collected within 60 days after year-end. A one year availability period is used for revenue recognition for all other Library fund revenues susceptible to accrual. Expenditures are recorded when the liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

Those revenues susceptible to accrual are federal and state grants, special assessments, licenses, interest revenue and charges for services. Fines, permits and sales tax and other state revenues are not susceptible to accrual because generally they are not measurable until received in cash.

Accounting For Capital Expenditures:

General accepted accounting principles applicable to governmental units provides for differing accounting treatment for capital expenditures, dependent upon the category of the funds from which the expenditures is made. In all library funds, including the general fund, capital expenditures are treated in the same manner as other current expenditures in the fund and are then recorded in a "general fixed asset" group of accounts.

Budgets And Budgetary Accounting:

Caro Area District Library adopts a budget for the General Fund just prior to the beginning of the year. The budget is adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts as shown in the financial statements are as originally adopted or as amended by the Board of Trustees. All annual appropriations lapse at fiscal year-end. The Library does not utilize encumbrance accounting.

NOTE 3 - CONTINGENT LIABILITIES:

Under the terms of the present personnel policy adopted by the Library Board of Trustees, the Board is required to pay each regular employee their accumulated vacation leave time, up to 25 days, at 100% of current pay upon termination. Since the exact amount of this liability is indeterminable until termination of employment, no provision for it has been made in the accompanying financial statements.

The Library has elected to be treated as a reimbursing employer for unemployment tax purposes. Any employment benefits paid to the Library employees by the Michigan Unemployment Fund must be reimbursed by the Library on a dollar for dollar basis. The expense is recognized when the district becomes liable to the State for benefits paid.

CARO AREA DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 4 - CHANGES IN GENERAL FIXED ASSETS:

A summary of changes in the recorded general fixed assets follows:

	BALANCE DECEMBER 31, 2004	<u>ADDITIONS</u>	<u>DELETIONS</u>	BALANCE DECEMBER 31, 2005
GENERAL FIXED ASSETS:				
Building	\$565,007	\$ 9,453		\$574,460
Furniture	140,406	0		140,406
Equipment	<u>158,929</u>	<u>3,597</u>	_____	<u>162,526</u>
TOTAL GENERAL FIXED ASSETS	<u>\$864,342</u>	<u>\$13,050</u>	<u>NONE</u>	<u>\$877,392</u>

NOTE 5 - DEPOSITS AND INVESTMENTS:

The Library's cash and cash equivalents consist of a checking account.

Credit Risk- State statutes authorize the Library to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the Library is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The Library has no investment policy that would further limit its investment choices.

Concentration of credit risk – The Library has no policy that would limit the amount that may be invested with any one issuer.

Custodial credit risk- Deposits- In the case of deposits, this is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library does not have a deposit policy for custodial credit risk. The carrying amount of the Library's deposits was \$199,690 and the bank balance was \$199,761 of which \$100,000 was covered by federal depository insurance and \$99,761 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk- Investments- For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments. State law does not require and the Library does not have a policy for investment custodial credit risk.

Investments- The Library received a gift of 382 shares of Rockwell International stock with a value of \$26.25 per share on March 10, 1992. As a result of Rockwell split offs, the Library now owns the following:

<u>NAME</u>	<u>NUMBER OF SHARES</u>	<u>FAIR MARKET VALUE</u>
Arvin Meritor	95.25	\$ 1,371
Conexant	382	863
Mindspeed Technologies	127	298
Rockwell Collins	382	17,752
The Boeing Company	28	1,967
Rockwell International	422.57	25,000
Total		<u>\$47,251</u>

CARO AREA DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 6 - RISK MANAGEMENT:

The Library is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Library carries commercial insurance to cover any losses that may result from the above described activities.

NOTE 7 - PROPERTY TAXES:

The property tax is levied each December 1 on the assessed valuation of the property located in the Townships. The Caro Area District Library receives the collected portion of the property taxes in full from the local townships and all delinquent taxes are handled through the county. The Library tax revenues are recognized in the fiscal year which includes the December 1 levy date. The Library levied 1.4794 mills for 2005.

NOTE 8 – DEFINED CONTRIBUTION PENSION PLAN:

The Library established a SIMPLE IRA plan on September 23, 2002, which covers all qualifying employees of the Library.

Under the plan, the Library contributes an amount equal to two percent (2%) of the qualifying employee's wages to the plan on behalf of the employee.

All amounts contributed are immediately and fully vested with the employee. Total contributions under the plan were \$3,324 during 2005.

NOTE 9 – DESIGNATED FUND BALANCE:

The fund balance in the General Fund has been designated by the Board for the purpose of technology and capital expenditures, in the amount of \$173,081.

NOTE 10 – PRIOR PERIOD ADJUSTMENT:

In the financial statements for the year ended December 31, 2005, an error was made in accounting for property taxes receivable in the general fund. For governmental units with a December year-end the December property tax levy is recorded as revenue in the subsequent fiscal year. This error has been corrected and has decreased the beginning fund balance by \$350,695.

NOTE 11 – GASB 34:

The Caro Area District Library chose not to adopt GASB 34, which is required by Generally Accepted Accounting Principals (GAAP). This departure from GAAP is also noted in the audit report letter.

Supplemental Information

**CARO AREA DISTRICT LIBRARY
GENERAL FUND
SCHEDULE OF REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
Taxes:			
Current property taxes	\$ 359,144	\$ 340,360	\$ (18,784)
Total Taxes	<u>359,144</u>	<u>340,360</u>	<u>(18,784)</u>
Intergovernmental:			
State aid	<u>10,804</u>	<u>5,395</u>	<u>(5,409)</u>
Total Intergovernmental	<u>10,804</u>	<u>5,395</u>	<u>(5,409)</u>
Fines:			
Penal fines	<u>80,000</u>	<u>61,618</u>	<u>(18,382)</u>
Miscellaneous Revenues:			
Interest & dividend income	1,300	8,419	7,119
Gifts	3,000	6,897	3,897
Miscellaneous income	15,059	48,719	33,660
Video rentals	<u>9,000</u>	<u>6,644</u>	<u>(2,356)</u>
Total Miscellaneous	<u>28,359</u>	<u>70,679</u>	<u>42,320</u>
TOTAL REVENUES	<u>\$ 478,307</u>	<u>\$ 478,052</u>	<u>\$ (255)</u>

See the accompanying notes.

CARO AREA DISTRICT LIBRARY
GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES:			
Salaries & Employee Benefits:			
Salaries	\$ 223,330	\$ 231,638	\$ (8,308)
Employee benefits	<u>41,917</u>	<u>38,119</u>	<u>3,798</u>
Total Salaries & Employees Benefits	<u>265,247</u>	<u>269,757</u>	<u>(4,510)</u>
 Library Materials:			
Books	51,060	45,116	5,944
Periodicals	6,500	6,538	(38)
Supplies	15,500	15,539	(39)
Contract fees	60,000	47,793	12,207
Electronic materials	4,500	2,751	1,749
Videos	<u>11,000</u>	<u>12,062</u>	<u>(1,062)</u>
Total Library Materials	<u>148,560</u>	<u>129,799</u>	<u>18,761</u>
 Operational:			
Insurance	10,000	7,567	2,433
Utilities and telephone	19,000	20,444	(1,444)
Repairs and maintenance	16,500	9,940	6,560
Postage	3,000	1,532	1,468
Programming	1,500	662	838
Professional development	<u>2,000</u>	<u>977</u>	<u>1,023</u>
Total Operational	<u>52,000</u>	<u>41,122</u>	<u>10,878</u>
 Other Miscellaneous	<u>2,500</u>	<u>23,200</u>	<u>(20,700)</u>
 Capital Outlay	<u>10,000</u>	<u>13,243</u>	<u>(3,243)</u>
TOTAL EXPENDITURES	<u><u>\$ 478,307</u></u>	<u><u>\$ 477,121</u></u>	<u><u>\$ 1,186</u></u>

See the accompanying notes.